

**LAKE PARK MUNICIPAL UTILITIES**  
(A Component Unit of the City of Lake Park, Iowa)

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015**

# LAKE PARK MUNICIPAL UTILITIES

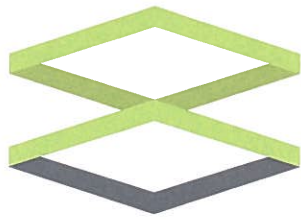
## TABLE OF CONTENTS

		<u>Page No.</u>
Officials .....		1
Independent Auditors' Report .....		2 - 4
Basic Financial Statements:	<u>Exhibit</u>	
Enterprise Fund Financial Statements:		
Statement of Net Position .....	A	5 - 6
Statement of Revenues, Expenses and Changes in		
Net Position .....	B	7
Statement of Cash Flows .....	C	8 - 9
Notes to Financial Statements .....		10 - 23
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenses		
and Changes in Balances - Budget and Actual .....		24
Notes to Required Supplementary Information - Budgetary Reporting .....		25
Schedule of the Utilities' Proportionate Share of the Net Pension Liability .....		26
Schedule of Utilities Contributions .....		27 - 28
Notes to Required Supplementary Information - Pension Liability .....		29 - 30
Independent Auditors' Report on Internal Control Over Financial		
Reporting and on Compliance and Other Matters Based on an		
Audit of Financial Statements Performed in Accordance with		
<i>Government Auditing Standards</i> .....		31 - 32
Schedule of Findings .....		33 - 34

# LAKE PARK MUNICIPAL UTILITIES

## OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Brent Jacobsen	Chairman	December 31, 2018
Tony Lemker	Vice-Chairman	December 31, 2016
Vivian LaLone	Secretary/Treasurer	December 31, 2019
Carl Gochnauer	Trustee	December 31, 2020
Carol Johnson	Trustee	December 31, 2015
Linda Treharne	Municipal Clerk	Indefinite



WINTHER STAVE & CO | LLP<sup>TM</sup>  
Certified Public Accountants

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

[www.winther-stave.com](http://www.winther-stave.com)

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351-0187  
Phone 712-338-2488  
FAX 712-338-2510

---

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Lake Park Municipal Utilities

### Report on the Financial Statements

We have audited the accompanying financial statements of the electric, water and gas enterprise funds of Lake Park Municipal Utilities (Utilities), a component unit of the City of Lake Park, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise Lake Park Municipal Utilities' basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Basis for Qualified Opinion**

As discussed in Note 7, the Utilities did not record or disclose the net annual required contribution for other postemployment benefits (OPEB) or the net OPEB obligation liability as required by Governmental Accounting Standards Board Statement No. 45. The effect on the financial statements of this departure is not reasonably determinable.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the electric, water and gas enterprise funds of Lake Park Municipal Utilities at June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 1, the financial statements present only the electric, water and gas enterprise funds of Lake Park Municipal Utilities, a component unit of the City of Lake Park, and do not purport to, and do not, present fairly the financial position of the City of Lake Park as of June 30, 2015 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the Utilities adopted new accounting guidance related to the Government Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Budgetary Comparison Information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities Contributions on pages 24 to 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lake Park Municipal Utilities has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of Lake Park Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Park Municipal Utilities' internal control over financial reporting and compliance.

Wintner, Staver & Co., LLP

October 30, 2015  
Milford, Iowa

## **BASIC FINANCIAL STATEMENTS**

LAKE PARK MUNICIPAL UTILITIES  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash (Note 2) .....	\$1,984,352		\$1,004,373	\$2,988,725
Accounts receivable (net) (Note 3) .....	136,092	\$ 25,270	32,563	193,925
Inventories .....	209,442	50,239	31,093	290,774
Prepaid expenses .....	7,246	2,247	4,019	13,512
TOTAL CURRENT ASSETS .....	<u>2,337,132</u>	<u>77,756</u>	<u>1,072,048</u>	<u>3,486,936</u>
<b>NONCURRENT ASSETS:</b>				
Restricted assets:				
Revenue bond sinking fund .....	<u>33,832</u>			<u>33,832</u>
TOTAL NONCURRENT ASSETS	<u>33,832</u>			<u>33,832</u>
<b>CAPITAL ASSETS (Note 4):</b>				
Capital assets .....	4,928,500	2,412,847	816,290	8,157,637
Accumulated depreciation .....	<u>(2,529,096)</u>	<u>(1,691,412)</u>	<u>(599,153)</u>	<u>(4,819,661)</u>
TOTAL CAPITAL ASSETS, NET	<u>2,399,404</u>	<u>721,435</u>	<u>217,137</u>	<u>3,337,976</u>
 TOTAL ASSETS	 4,770,368	 799,191	 1,289,185	 6,858,744
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension related deferred outflows (Note 6)	<u>10,570</u>	<u>3,824</u>	<u>8,040</u>	<u>22,434</u>
 TOTAL	 <u>\$4,780,938</u>	 <u>\$ 803,015</u>	 <u>\$1,297,225</u>	 <u>\$6,881,178</u>



LAKE PARK MUNICIPAL UTILITIES  
STATEMENT OF NET POSITION - Continued  
JUNE 30, 2015

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Total</u>
LIABILITIES:				
CURRENT LIABILITIES:				
Cash deficit .....		\$194,038		\$ 194,038
Accounts payable .....	\$ 132,431	12,471	\$ 45,427	190,329
Accrued interest .....	2,019			2,019
Salaries and benefits payable .....	942	1,843	1,378	4,163
Customer meter deposits .....	6,074	3,526	9,649	19,249
Current portion long-term debt .....	<u>170,000</u>			<u>170,000</u>
TOTAL CURRENT LIABILITIES	<u>311,466</u>	<u>211,878</u>	<u>56,454</u>	<u>579,798</u>
LONG-TERM LIABILITIES (Note 5):				
Revenue capital loan notes payable .....	1,350,000			1,350,000
Less current portion above .....	(170,000)			(170,000)
Net pension liability .....	<u>66,074</u>	<u>23,896</u>	<u>50,257</u>	<u>140,227</u>
TOTAL LONG-TERM LIABILITIES	<u>1,246,074</u>	<u>23,896</u>	<u>50,257</u>	<u>1,320,227</u>
TOTAL LIABILITIES	<u>1,557,540</u>	<u>235,774</u>	<u>106,711</u>	<u>1,900,025</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows (Note 6)	<u>25,199</u>	<u>9,113</u>	<u>19,167</u>	<u>53,479</u>
NET POSITION:				
Net investment in capital assets .....	1,049,403	721,435	217,137	1,987,975
Restricted for:				
Debt service .....	33,832			33,832
Unrestricted .....	<u>2,114,964</u>	<u>(163,307)</u>	<u>954,210</u>	<u>2,905,867</u>
TOTAL NET POSITION	<u>3,198,199</u>	<u>558,128</u>	<u>1,171,347</u>	<u>4,927,674</u>
TOTAL	<u>\$4,780,938</u>	<u>\$803,015</u>	<u>\$1,297,225</u>	<u>\$6,881,178</u>

LAKE PARK MUNICIPAL UTILITIES  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2015

	Electric Fund	Water Fund	Gas Fund	Total
REVENUES:				
Operating revenues .....	<u>\$1,434,184</u>	<u>\$253,828</u>	<u>\$ 716,250</u>	<u>\$2,404,262</u>
OPERATING EXPENSES:				
Direct costs .....	686,027	41,038	505,752	1,232,817
Other operating expenses .....	363,204	121,359	159,916	644,479
Administrative expenses .....	<u>30,415</u>	<u>29,729</u>	<u>29,885</u>	<u>90,029</u>
TOTAL OPERATING EXPENSES	<u>1,079,646</u>	<u>192,126</u>	<u>695,553</u>	<u>1,967,325</u>
OPERATING INCOME	<u>354,538</u>	<u>61,702</u>	<u>20,697</u>	<u>436,937</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income .....	22,878	285	10,127	33,290
Economic development contributions .....	(2,279)	(2,278)	(2,279)	(6,836)
Payments in lieu of property taxes .....	(41,797)	(3,751)	(9,348)	(54,896)
Interest expense .....	<u>(55,282)</u>			<u>(55,282)</u>
TOTAL NON-OPERATING EXPENSES	<u>(76,480)</u>	<u>(5,744)</u>	<u>(1,500)</u>	<u>(83,724)</u>
CHANGE IN NET POSITION	278,058	55,958	19,197	353,213
NET POSITION BEGINNING OF YEAR, AS RESTATED	<u>2,920,141</u>	<u>502,170</u>	<u>1,152,150</u>	<u>4,574,461</u>
NET POSITION END OF YEAR	<u>\$3,198,199</u>	<u>\$558,128</u>	<u>\$1,171,347</u>	<u>\$4,927,674</u>

**LAKE PARK MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers .....	\$1,450,994	\$259,373	\$ 730,076	\$2,440,443
Cash paid to suppliers .....	(791,388)	(125,824)	(601,455)	(1,518,667)
Cash paid to employees .....	<u>(112,801)</u>	<u>(39,923)</u>	<u>(86,023)</u>	<u>(238,747)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>546,805</u>	<u>93,626</u>	<u>42,598</u>	<u>683,029</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Economic development contributions .....	(2,279)	(2,278)	(2,279)	(6,836)
Payments in lieu of property taxes .....	<u>(41,797)</u>	<u>(3,751)</u>	<u>(9,348)</u>	<u>(54,896)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(44,076)</u>	<u>(6,029)</u>	<u>(11,627)</u>	<u>(61,732)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets .....	(44,100)	(28,920)	(35,286)	(108,306)
Proceeds from capital loan notes .....	1,350,000			1,350,000
Principal paid on capital loan notes .....	(1,450,000)			(1,450,000)
Interest paid .....	(58,309)			(58,309)
Decrease in sinking fund .....	<u>(3,817)</u>			<u>(3,817)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(206,226)</u>	<u>(28,920)</u>	<u>(35,286)</u>	<u>(270,432)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments .....	<u>22,966</u>	<u>285</u>	<u>10,147</u>	<u>33,398</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>22,966</u>	<u>285</u>	<u>10,147</u>	<u>33,398</u>
<b>NET CHANGE IN CASH .....</b>	<b>319,469</b>	<b>58,962</b>	<b>5,832</b>	<b>384,263</b>
<b>CASH (CASH DEFICIT) BEGINNING OF YEAR</b>	<u><b>1,664,883</b></u>	<u><b>(253,000)</b></u>	<u><b>998,541</b></u>	<u><b>2,410,424</b></u>
<b>CASH (CASH DEFICIT) END OF YEAR</b>	<u><b>\$1,984,352</b></u>	<u><b>\$(194,038)</b></u>	<u><b>\$1,004,373</b></u>	<u><b>\$2,794,687</b></u>

LAKE PARK MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS - Continued  
YEAR ENDED JUNE 30, 2015

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income .....	\$354,538	\$61,702	\$20,697	\$436,937
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation .....	144,459	52,933	23,353	220,745
(Increase) decrease in:				
Accounts receivable .....	16,593	5,973	12,448	35,014
Inventory .....	373	(20,198)	(11,030)	(30,855)
Prepaid expenses .....	(813)	(814)	(128)	(1,755)
Deferred outflows of resources .....	(835)	(303)	(635)	(1,773)
Increase (decrease) in:				
Accounts payable .....	37,771	(4,128)	929	34,572
Accrued salaries and vacation .....	(691)	626	(758)	(823)
Customer deposits .....	217	(428)	1,378	1,167
Net pension liability .....	(30,006)	(10,850)	(22,823)	(63,679)
Deferred inflows of resources .....	<u>25,199</u>	<u>9,113</u>	<u>19,167</u>	<u>53,479</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$546,805</u>	 <u>\$93,626</u>	 <u>\$42,598</u>	 <u>\$683,029</u>

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Lake Park Municipal Utilities (Utilities) is a separate and distinct city utility chartered under Iowa Code Section 388. The financial statements of the Utilities include the Electric, Water, and Gas enterprise funds which provide services to the residents of the City of Lake Park, Iowa. Lake Park Municipal Utilities is governed by a five-member board of trustees, which is appointed by the Mayor of the City of Lake Park. Based on the criteria set forth by the Governmental Accounting Standards Board, Lake Park Municipal Utilities is considered a component unit of the City of Lake Park. However, the City's financial statements cover the primary government only; therefore financial information concerning the Utilities is not included.

For financial reporting purposes, Lake Park Municipal Utilities has included all funds, organizations, agencies, boards, commissions, and authorities. The Utilities has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utilities to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utilities. Lake Park Municipal Utilities has no component units.

**Financial Statements**

The accounts of Lake Park Municipal Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. Individual enterprise funds are reported as separate columns in the financial statements as follows:

Electric Fund - the Electric Fund accounts for the operation and maintenance of the electric distribution system.

Water Fund - The Water Fund accounts for the operation and maintenance of the water distribution system.

Gas Fund - The Gas Fund accounts for the operation and maintenance of the gas distribution system.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Utilities' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for state and local governments as prescribed by the Government Accounting Standards Board. The Utilities' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The Utilities distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utilities' principal ongoing operations. The principal operating revenues of the Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Revenue Recognition**

Revenues earned are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is not considered to have a material effect on the financial statements. The Utilities' rates are established by the Board of Trustees and, as a municipal system, are not subject to the regulation of the Utilities Division of the Department of Commerce of the State of Iowa.

**Cash**

For the purposes of the statement of cash flows, the Utilities considers as cash all currency on hand and unrestricted demand and other deposit accounts with banks or other financial institutions.

**Accounts Receivable**

Accounts receivable are recorded at the time the service is billed. Accounts are reviewed annually; accounts considered uncollectable are written off to the allowance for doubtful accounts.

**Inventories**

Inventories are valued at the lower of cost or market on a first-in, first-out method. Inventories are recorded as expenses or capitalized, if applicable, when consumed rather than when purchased.

**Capital Assets**

Capital assets are accounted for at historical cost. The cost of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized.

Capital assets of the Utilities are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Building and plant .....	10 - 40
Equipment .....	5 - 15
Distribution System .....	20 - 40
Land Improvements .....	15

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair market value.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**Restricted Assets**

Funds set aside for payment of the Utilities' revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

**Net Position**

The Statement of Net Position presents the Utilities' assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Compensated Absences**

The Utilities' employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred, included in salaries and benefits payable in the respective enterprise fund financial statements, and computed based on rates of pay in effect at June 30, 2015.

Employees also accumulate a limited amount of earned but unused sick leave. An employee does not receive any pay for sick leave upon termination, retirement or death. Since the amount of sick leave to be used is not determinable, no liability has been accrued.

**Economic Development Contributions**

By authorization of the Board of Trustees, funds were expended for economic development benefiting the City of Lake Park, Iowa and Lake Park Municipal Utilities.

**Payments in Lieu of Property Taxes**

By resolution of the Board of Trustees, voluntary payments in lieu of property taxes are made to the City of Lake Park, Iowa. Currently, payments approximate the City's utility usage.

**Income Taxes**

The Utilities is exempt from federal and state income taxes because it is a governmental entity organized under the provisions of Chapter 388 of the Code of Iowa.

**Budgetary Information**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Management's Review**

The Utilities has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.



LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**2. DEPOSITS AND INVESTMENTS**

The Utilities' deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no assets classified as investments at June 30, 2015.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable are reported net of allowance for doubtful accounts as follows:

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>
Accounts receivable - customers .....	\$140,492	\$25,870	\$34,563
Less - allowance for doubtful accounts .....	<u>4,400</u>	<u>600</u>	<u>2,000</u>
Accounts receivable (net)	<u>\$136,092</u>	<u>\$25,270</u>	<u>\$32,563</u>

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

<b>Electric Utility</b>	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Capital assets:				
Land and improvements .....	\$ 11,500			\$ 11,500
Buildings .....	1,109,405			1,109,405
Equipment .....	595,899	\$ 580	\$24,148	572,331
Distribution system .....	<u>3,191,744</u>	<u>43,520</u>		<u>3,235,264</u>
Total capital assets	<u>4,908,548</u>	<u>44,100</u>	<u>24,148</u>	<u>4,928,500</u>
Less accumulated depreciation for:				
Buildings .....	286,072	27,570		313,642
Equipment .....	494,698	21,395	24,148	491,945
Distribution system .....	<u>1,628,015</u>	<u>95,494</u>		<u>1,723,509</u>
Total accumulated depreciation	<u>2,408,785</u>	<u>144,459</u>	<u>24,148</u>	<u>2,529,096</u>
Total capital assets, net	<u>\$2,499,763</u>	<u>\$(100,359)</u>	<u>\$ 0</u>	<u>\$2,399,404</u>

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**4. CAPITAL ASSETS - Continued**

<b>Water Utility</b>	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Capital assets:				
Land and improvements .....	\$ 35,231			\$ 35,231
Buildings .....	46,830			46,830
Equipment .....	202,102	\$ 742		202,844
Distribution system .....	<u>2,099,764</u>	<u>28,178</u>		<u>2,127,942</u>
Total capital assets	<u>2,383,927</u>	<u>28,920</u>		<u>2,412,847</u>
Less accumulated depreciation for:				
Land and improvements .....	13,228			13,228
Buildings .....	2,234	2,314		4,548
Equipment .....	187,057	6,027		193,084
Distribution system .....	<u>1,435,960</u>	<u>44,592</u>		<u>1,480,552</u>
Total accumulated depreciation	<u>1,638,479</u>	<u>52,933</u>		<u>1,691,412</u>
Total capital assets, net	<u>\$ 745,448</u>	<u>\$ (24,013)</u>		<u>\$ 721,435</u>
<b>Gas Utility</b>	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Capital assets:				
Land and improvements .....	\$ 2,061			\$ 2,061
Equipment .....	250,625	\$ 8,338		258,963
Distribution system .....	<u>528,318</u>	<u>26,948</u>		<u>555,266</u>
Total capital assets	<u>781,004</u>	<u>35,286</u>		<u>816,290</u>
Less accumulated depreciation for:				
Equipment .....	214,675	9,911		224,586
Distribution system .....	<u>361,125</u>	<u>13,442</u>		<u>374,567</u>
Total accumulated depreciation	<u>575,800</u>	<u>23,353</u>		<u>599,153</u>
Total capital assets, net	<u>\$205,204</u>	<u>\$11,933</u>		<u>\$217,137</u>

**5. LONG-TERM DEBT**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>Balance at June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Electric revenue refunding capital loan notes	<u>\$1,450,000</u>	<u>\$1,350,000</u>	<u>\$1,450,000</u>	<u>\$1,350,000</u>	<u>\$170,000</u>

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**5. LONG-TERM DEBT - Continued**

**Electric Fund Revenue Refunding Capital Loan Notes**

On March 11, 2008, the Utility issued electric revenue refunding capital loan notes (Series 2008) in the amount of \$2,310,000. The notes bore interest of 3.82% and matured annually from June 1, 2008 to June 1, 2023, and were secured by future net revenues of the Electric Utility.

During the year ended June 30, 2015, the Utilities issued electric revenue refunding capital loan notes (Series 2015) in the amount of \$1,350,000 to refund the Series 2008 capital loan notes. The notes bear interest of 1.97% and mature in varying annual amounts, ranging from \$165,000 to \$170,000, with final maturity due June 1, 2023.

The notes are secured by future net revenues of the Electric Utility. Annual principal and interest payments on the notes are expected to require less than 40% of net revenues. The total principal and interest remaining to be paid on the notes is \$1,467,905. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$198,309 and \$477,799, respectively.

The resolution providing for the issuance of the notes provides for the creation of a Sinking Fund, into which shall be set aside an amount equal to 110% of the amount of annual principal and interest coming due on those bonds.

A summary of the annual principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 170,000	\$ 25,413	\$ 195,413
2017	170,000	23,246	193,246
2018	170,000	19,897	189,897
2019	170,000	16,548	186,548
2020	170,000	13,199	183,199
2021 - 2023	<u>500,000</u>	<u>19,602</u>	<u>519,602</u>
<b>TOTAL</b>	<b><u>\$1,350,000</u></b>	<b><u>\$117,905</u></b>	<b><u>\$1,467,905</u></b>

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**6. PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**6. PENSION AND RETIREMENT BENEFITS - Continued**

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utilities contributed 8.93 percent for a total rate of 14.88 percent.

The Utilities' contributions to IPERS for the year ended June 30, 2015 were \$20,997.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Utilities' reported a liability of \$140,227 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the collective net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utilities' collective proportion was 0.0035358 percent, which was a decrease of 0.0000155 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utilities recognized pension expense of \$9,024. At June 30, 2015, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,524	
Changes of assumptions	6,189	
Net difference between projected and actual earnings on pension plan investments		\$53,479
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	(6,276)	
Utilities contributions subsequent to the measurement date	<u>20,997</u>	<u>          </u>
Total	<u>\$22,434</u>	<u>\$53,479</u>

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**6. PENSION PLAN - Continued**

\$20,997 reported as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$(13,071)
2017	(13,071)
2018	(13,071)
2019	(13,070)
2020	<u>241</u>
Total	<u>\$(52,042)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**6. PENSION PLAN - Continued**

target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Utilities' proportionate share of the net pension liability	\$264,955	\$140,227	\$34,944

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**7. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Utilities operate a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility. Coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. It is anticipated retiree premiums will be fully offset by monthly contributions.

The Utilities has not implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*. This is a departure from accounting principles generally accepted in the United States of America. The amount by which this departure would affect liabilities, net assets and expenses is not reasonably determinable.

**8. LOCAL GOVERNMENT RISK POOL**

Lake Park Municipal Utilities is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Lake Park Municipal Utilities' property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. Lake Park Municipal Utilities' contributions to the Pool for the year ended June 30, 2015 were \$16,804.



LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**8. LOCAL GOVERNMENT RISK POOL - Continued**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Utilities does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Utilities' financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

Lake Park Municipal Utilities also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015

**9. ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Total</u>
Net position June 30, 2014, as previously reported	\$3,006,486	\$533,395	\$1,217,825	\$4,757,706
Net pension liability at June 30, 2014	(96,080)	(34,746)	(73,080)	(203,906)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>9,735</u>	<u>3,521</u>	<u>7,405</u>	<u>20,661</u>
Net position July 1, 2014, as restated	<u>\$2,920,141</u>	<u>\$502,170</u>	<u>\$1,152,150</u>	<u>\$4,574,461</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

LAKE PARK MUNICIPAL UTILITIES  
BUDGETARY COMPARISON SCHEDULE OF  
REVENUES, EXPENSES, AND CHANGES IN BALANCES - BUDGET AND ACTUAL  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	<u>Actual</u>	<u>Original/Final Budget</u>	<u>Final to Actual Variance</u>
REVENUES:			
Charges for services .....	\$2,404,262	\$2,028,850	\$375,412
Non-operating .....	<u>33,290</u>	<u>166,980</u>	<u>(133,690)</u>
TOTAL REVENUES	<u>2,437,552</u>	<u>2,195,830</u>	<u>241,722</u>
EXPENSES:			
Electric .....	1,179,004	1,250,000	70,996
Water .....	198,155	258,525	60,370
Gas .....	<u>707,180</u>	<u>583,700</u>	<u>(123,480)</u>
TOTAL EXPENSES	<u>2,084,339</u>	<u>2,092,225</u>	<u>7,886</u>
CHANGE IN NET POSITION	353,213	103,605	249,608
NET POSITION BEGINNING OF YEAR, AS RESTATED	<u>4,574,461</u>	<u>4,535,067</u>	<u>39,394</u>
NET POSITION END OF YEAR	<u>\$4,927,674</u>	<u>\$4,638,672</u>	<u>\$289,002</u>

**LAKE PARK MUNICIPAL UTILITIES**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2015**

In accordance with the Code of Iowa, the Utilities annually adopts a budget following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. All Utilities' disbursements are included in business-type activities function.

LAKE PARK MUNICIPAL UTILITIES  
SCHEDULE OF THE UTILITIES' PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Utilities' proportion of the net pension liability	0.0035358%
Utilities' proportionate share of the net pension liability	\$140
Utilities' covered-employee payroll	\$231
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.60%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available.

LAKE PARK MUNICIPAL UTILITIES  
SCHEDULE OF UTILITIES CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$21	\$21	\$20	\$19
Contributions in relation to the statutorily required contribution	<u>(21)</u>	<u>(21)</u>	<u>(20)</u>	<u>(19)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Utilities' covered-employee payroll	\$235	\$231	\$233	\$232
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 15	\$ 18	\$ 15	\$ 9	\$ 10	\$ 9
<u>(15)</u>	<u>(18)</u>	<u>(15)</u>	<u>(9)</u>	<u>(10)</u>	<u>(9)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$218	\$264	\$242	\$149	\$171	\$156
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%



LAKE PARK MUNICIPAL UTILITIES  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

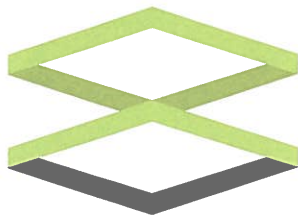
- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

LAKE PARK MUNICIPAL UTILITIES  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
PENSION LIABILITY - Continued  
YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



WINTHER STAVE & CO | LLP<sup>TM</sup>  
Certified Public Accountants

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

[www.winther-stave.com](http://www.winther-stave.com)

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351-0187  
Phone 712-338-2488  
FAX 712-338-2510

---

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Lake Park Municipal Utilities

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the electric, water and gas enterprise funds of Lake Park Municipal Utilities (Utilities) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated October 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lake Park Municipal Utilities' internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lake Park Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Lake Park Municipal Utilities' Responses to Findings**

Lake Park Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Lake Park Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winthru, Starn & Co., LLC*

October 30, 2015  
Milford, Iowa

LAKE PARK MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCY:**

I-A-15    Segregation of Duties - One employee handles most of the financial duties, including reconciling accounts and recording financial data. One important aspect of internal control is to prevent employees from handling duties which are incompatible.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Board maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

LAKE PARK MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS - Continued  
YEAR ENDED JUNE 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-15 Certified Budget - Total disbursements for all funds during the year ended June 30, 2015 did not exceed the total amount budgeted.
- II-B-15 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures for travel expenses of spouses of officials or employees of the Utilities were noted.
- II-D-15 Business Transactions - We noted no business transactions between the Utilities and Utilities' officials or employees.
- II-E-15 Bond Coverage - Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-15 Revenue Notes - The Electric Utility is in compliance with all aspects of the capital loan notes resolution, including cash reserves.
- II-H-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.